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September 1, 2010

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

Docket Control  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

RE: DEMAND SIDE MANAGEMENT SEMI-ANNUAL REPORT  
DECISION NO. 67744; DOCKET NOS. E-01345A-03-0437 & E-01345A-05-0526

On September 1, 2009, Arizona Public Service Company ("APS") filed its Demand Side Management ("DSM") Semi-Annual Report for the period January 1, 2009, through June 30, 2009, pursuant to Decision No. 67744.

Since that time, two errors were discovered. An error was found in the unit societal cost per meter in the Non-Residential Energy Information Services program. A second error was found in the calculation of the societal cost in the Non-Residential programs. What was previously represented as societal cost was actually the net project incremental cost. That incremental cost has now been added to the program cost to calculate the correct societal cost. The changes did not affect the performance incentive amount.

The two errors discussed above affected Table 7, 8 and 9 in the Report. Enclosed is an attachment, marked as Attachment 1, containing replacement pages for pages 9, 10, and 11 (containing Table 7, Table 8, and Table 9 respectively) of the January – June 2009 DSM Semi-Annual Report.

If you have any questions or concerns please contact Erinn Andreassen at (602) 250-3276.

Sincerely,

*Susan Casady*  
Susan Casady

SC/sl  
Attachments

cc: Barbara Keene  
Julie McNeely-Kirwan  
Brian Bozzo

Arizona Corporation Commission  
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# **ATTACHMENT 1**

# ARIZONA PUBLIC SERVICE COMPANY

## DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH JUNE 2009

**TABLE 7**  
**DSM Electric Benefits and Performance Incentive**  
**January 2009 – June 2009**

DSM Program	Program Cost	Societal Benefits	Societal Costs	Net Benefits
<b>Residential</b>				
Low Income <sup>1</sup>	\$563,136	\$427,410	\$427,410	\$0 <sup>2</sup>
Res Existing Homes HVAC	\$1,463,852	\$2,936,578	\$2,051,924	\$884,654
Res New Home Construction	\$628,217	\$2,565,940	\$819,344	\$1,746,596
Consumer Products	\$1,952,247	\$10,144,227	\$2,604,443	\$7,539,784
<b>Totals for Residential</b>	<b>\$4,607,452</b>	<b>\$16,074,155</b>	<b>\$5,903,121</b>	<b>\$10,171,034</b>
<b>Non-Residential</b>				
Large Existing Facilities	\$3,097,335	\$13,617,520	\$5,628,278	\$7,989,242
Large Non Res New Const	\$1,345,668	\$7,846,013	\$2,310,593	\$5,535,420
Small Business	\$202,778	\$332,616	\$252,405	\$80,211
Energy Information Svcs	\$33,479	\$328,400	\$67,966	\$260,434
Schools	\$445,060	\$1,793,242	\$871,383	\$921,859
<b>Total for Non-Residential</b>	<b>\$5,124,320</b>	<b>\$23,917,791</b>	<b>\$9,130,625</b>	<b>\$14,787,166</b>
<b>Subtotal</b>	<b>\$9,731,772</b>	<b>\$39,991,946</b>	<b>\$15,033,746</b>	<b>\$24,958,200</b>
Measurement, Evaluation & Research	\$950,815		\$950,815	(\$950,815)
Performance Incentive	\$1,186,954		\$1,186,954	(\$1,186,954)
<b>TOTAL</b>	<b>\$11,869,541</b>	<b>\$39,991,946</b>	<b>\$17,171,515</b>	<b>\$22,820,431</b>
<b>Performance Incentive Calculation:</b>				
Spending Before PI / Total Net Benefits	\$10,682,587			\$24,007,385
10% of Spending / Net Benefits	\$1,186,954			\$2,400,739
<b>Performance Incentive This Period<sup>3</sup></b>	<b>\$1,186,954</b>			

1. Program Costs include weatherization and bill assistance. Societal Costs do not include bill assistance because it does not contribute to electric savings.
2. Consistent with the ACC Staff's analysis in Decision No. 68647, the societal benefit is equal to the societal cost, resulting in a benefit to cost ratio of 1.00.
3. The Performance Incentive equals the minimum of either 10% share of net benefits, or 10% of total period program expenditures. The ACC approved the incentive calculation in Decision No. 69663. The maximum Performance Incentive allowed is 10% of the total spending level, including the Performance Incentive, as ordered in Decision No. 67744.

# ARIZONA PUBLIC SERVICE COMPANY

## DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH JUNE 2009

**TABLE 8**  
**DSM Electric Benefits and Performance Incentive**  
**Year-to-Date, January 2009 – June 2009**

DSM Program	Program Cost	Societal Benefits	Societal Costs	Net Benefits
<b>Residential</b>				
Low Income <sup>1</sup>	\$563,136	\$427,410	\$427,410	\$0 <sup>2</sup>
Res Existing Homes HVAC	\$1,463,852	\$2,936,578	\$2,051,924	\$884,654
Res New Home Construction	\$628,217	\$2,565,940	\$819,344	\$1,746,596
Consumer Products	\$1,952,247	\$10,144,227	\$2,604,443	\$7,539,784
<b>Totals for Residential</b>	<b>\$4,607,452</b>	<b>\$16,074,155</b>	<b>\$5,903,121</b>	<b>\$10,171,034</b>
<b>Non-Residential</b>				
Large Existing Facilities	\$3,097,335	\$13,617,520	\$5,628,278	\$7,989,242
Large Non Res New Const	\$1,345,668	\$7,846,013	\$2,310,593	\$5,535,420
Small Business	\$202,778	\$332,616	\$252,405	\$80,211
Energy Information Svcs	\$33,479	\$328,400	\$67,966	\$260,434
Schools	\$445,060	\$1,793,242	\$871,383	\$921,859
<b>Total for Non-Residential</b>	<b>\$5,124,320</b>	<b>\$23,917,791</b>	<b>\$9,130,625</b>	<b>\$14,787,166</b>
<b>Subtotal</b>	<b>\$9,731,772</b>	<b>\$39,991,946</b>	<b>\$15,033,746</b>	<b>\$24,958,200</b>
Measurement, Evaluation & Research	\$950,815		\$950,815	(\$950,815)
Performance Incentive YTD <sup>3</sup>	\$1,186,954		\$1,186,954	(\$1,186,954)
<b>TOTAL</b>	<b>\$11,869,541</b>	<b>\$39,991,946</b>	<b>\$17,171,515</b>	<b>\$22,820,431</b>

1. Program Costs include weatherization and bill assistance. Societal Costs do not include bill assistance because it does not contribute to electric savings.
2. Consistent with the ACC Staff's analysis in Decision No. 68647, the societal benefit is equal to the societal cost, resulting in a benefit to cost ratio of 1.00.
3. The ACC approved the incentive calculation in Decision No. 69663. The maximum Performance Incentive allowed is 10% of the total spending level, including the performance incentive, as ordered in Decision No. 67744. The year to date performance incentive amount is the Performance Incentive amount as calculated during this Reporting Period.

# ARIZONA PUBLIC SERVICE COMPANY

## DSM SEMI-ANNUAL PROGRESS REPORT FOR THE PERIOD: JANUARY THROUGH JUNE 2009

**TABLE 9**  
**DSM Electric Benefits and Performance Incentive**  
**Program-to-Date, January 2005 – June 2009**

DSM Program	Program Cost	Societal Benefits	Societal Costs	Net Benefits
<b>Residential</b>				
Low Income <sup>1</sup>	\$4,977,561	\$4,172,848	\$4,172,848	\$0 <sup>2</sup>
Res Existing Homes HVAC	\$7,955,625	\$17,666,368	\$13,203,186	\$4,463,182
Res New Home Construction	\$5,131,768	\$23,673,406	\$6,571,628	\$17,101,778
Consumer Products	\$12,589,284	\$124,163,910	\$28,600,500	\$95,563,410
<b>Totals for Residential</b>	<b>\$30,654,238</b>	<b>\$169,676,532</b>	<b>\$52,548,162</b>	<b>\$117,128,370</b>
<b>Non-Residential</b>				
Large Existing Facilities	\$16,242,710	\$65,942,303	\$28,720,685	\$37,221,618
Large Non Res New Const	\$7,263,522	\$50,935,689	\$16,885,586	\$34,050,103
Small Business	\$1,904,354	\$2,020,010	\$2,109,497	(\$89,487)
Bldg Operator Training	\$102,204	\$424,302	\$183,392	\$240,910
Energy Information Svcs	\$122,162	\$826,932	\$260,752	\$566,180
Schools	\$1,652,609	\$4,402,105	\$2,100,703	\$2,301,402
<b>Total for Non-Residential</b>	<b>\$27,287,561</b>	<b>\$124,551,341</b>	<b>\$50,260,615</b>	<b>\$74,290,726</b>
<b>Subtotal</b>	<b>\$57,941,799</b>	<b>\$294,227,873</b>	<b>\$102,808,777</b>	<b>\$191,419,096</b>
Measurement, Evaluation & Research	\$4,248,416		\$4,248,416	(\$4,248,416)
Performance Incentive PTD <sup>3</sup>	\$6,927,599		\$6,927,599	(\$6,927,599)
<b>TOTAL</b>	<b>\$69,117,814</b>	<b>\$294,227,873</b>	<b>\$113,984,792</b>	<b>\$180,243,081</b>

1. Program Costs include weatherization and bill assistance. Societal Costs do not include bill assistance because it does not contribute to electric savings.
2. Consistent with the ACC Staff's analysis in Decision No. 68647, the societal benefit is equal to the societal cost, resulting in a benefit to cost ratio of 1.00.
3. The ACC approved the incentive calculation in Decision No. 69663. The maximum Performance Incentive allowed is 10% of the total spending level, including the performance incentive, as ordered in Decision No. 67744. The program to date performance incentive amount is a summation of the Performance Incentive amount as calculated during each previous Reporting Period beginning with the January – June 2005, Semi-Annual Report.